



CITY OF DURHAM | NORTH CAROLINA

## MEMORANDUM

**Date:** November 21, 2011

**TO:** Thomas J. Bonfield, City Manager

**THROUGH:** Keith Chadwell, Deputy City Manager

**FROM:** Kevin Dick, Director, Office of Economic and Workforce Development  
Christopher Dickey, Senior Manager - Economic Development  
Peter Coyle, Cultural and Business Initiatives Coordinator

**SUBJECT:** Public Hearing per G.S. 158-7.1 to Receive Comments on Economic Development Grant Incentive and approval of a Building Improvement Grant for Atlas Foster Real Estate Holdings, LLC

### Executive Summary

This item recommends the approval a Building Improvement Grant (BIG) for Atlas Foster Real Estate Holdings, LLC, a limited liability company organized and existing under the laws of the State of North Carolina.

### Recommendation

The Office of Economic and Workforce Development (OEWD) recommends that the City Council hold a public hearing on the proposed economic development incentive agreement per G.S. 158-7.1, and authorize the City Manager to execute a contract with Atlas Foster Real Estate Holdings, LLC in an amount not to exceed \$70,000.00 for a building renovation project at 733 Foster Street, Durham, NC.

### Background

On April 4, 2011, the City Council approved an economic incentive policy amending the earlier policy approved on May 17, 2010, which included among its grant programs, the Building Improvement Grant (BIG) program, designed to encourage and provide financial assistance for building improvements located in Downtown, in the Community Development Areas outside Downtown and in Targeted Urban Growth Areas. Grants are to be used to upgrade and revitalize commercial buildings and, thereby, to enhance these

areas of the community, attract additional investment and assist in overall economic development in the City. While projects can be multi-story and multi-use, they must include rental-ready ground floor retail space. BIGs are designed for building owners and can have a maximum amount of \$75,000.00.

On August 18, 2011, OEWD announced the availability of Retail and Professional Services Grants and Building Improvement Grants with an application deadline of October 7. Applications were received for four BIGs, which were found by the staff to be complete and ready for scoring.

The grant scoring committee reviewed each of the four proposals provided to them. The committee included representatives of the Office of Community Development, the Self-Help Credit Union and the Office of Equal Opportunity and Equity Assurance. After analyzing all responsive grant applications, the committee recommended that the following allocations be approved. The list shows total project costs as well as those costs which are eligible for reimbursement under the grant.

<b>BIG</b>	<b>Total Cost</b>	<b>Public Cost</b>
AnnMC Multimedia Properties, LLC	\$238,000.00	\$62,000.00
Atlas Foster Real Estate Holdings, LLC	\$356,000.00	\$70,000.00
Bullocity, LLC	\$726,850.00	\$75,000.00
Hutchins Properties, LLC	\$407,884.00	\$70,000.00

The Building Improvement Grant for Atlas Foster Real Estate Holdings advances the City's goal for the development of the Downtown Development Tier, by the redevelopment of a historically significant property currently listed on the North Carolina State Historic Preservation Study List. The building currently is environmentally impaired due to its former use as a dry cleaner. The applicant has reported that an environmental remediation project has begun and is scheduled for completion by January 1, 2012. The property will be developed for ground floor retail use by a restaurant, with addition rental space for offices and other professional services.

### **Issues and Analysis**

A major priority of the City of Durham is increasing and strengthening the economic stability of the City. Staff endorses the funding recommendations of the committee which would serve to promote the continued revitalization and vitality of downtown Durham and its surrounding neighborhoods. The proposed project will produce \$286,000.00 in private investment with a \$70,000.00 BIG for a total project cost of \$356,000.00, producing a 4.1/1 ratio of private to public funding for this project.

Capital expenditures on items that are non-removable real property or personal property will add to tax values in the City. Visible improvements to these business properties also will act as catalysts for additional investment, and added tax base, by others. The Building Improvement Grant program was created to serve and encourage this type of private investment. It is supported by the RKG Neighborhood Assessment Plan of March

2006, the Updated Downtown Master Plan of January 2008, and the City Center Market Retail District Study of January 2010.

While there is no guarantee that any individual small startup business will survive in the current economic climate, capital improvements to the building will raise the assessed value for tax purposes even if the currently projected business tenant closes or moves to other locations over time. The renovated spaces still would offer high quality business locations for future tenants.

### **Alternatives**

The City Council may reject the recommendation to approve the funding or may choose to award a grant for a different amount. Not funding the project would undermine the ability of the Department to carry out the objectives of the Economic Development Financial Assistance and Incentive Policy and OEWD Financial Services program and objectives of downtown retail development. The applicant's project will have a positive effect on the appearance and business climate of the affected location.

### **Financial Impact**

FY 2012 funding for this project comes from Downtown Revitalization Org Code 07610000 and Object Code 728700.

### **SDBE Summary**

An SDBE summary is inapplicable because no project-specific goals have been set and no SDBEs are involved in this item.

### **Attachments:**

- Building Improvement Contract for Atlas Foster Real Estate Holdings, LLC
- Atlas Foster Real Estate Holdings, LLC Building Improvement Grant Application